

## **25% LOW-INCOME SET-ASIDE**

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*Posted 10/31/08*

**The HERA legislation requires that 25% of the NSP1 funds shall be used for the purchase and redevelopment of residential properties that will be used to house individuals whose incomes do not exceed 50% of area median income. My city would like to purchase residential structures that will eventually be redeveloped by a subrecipient, but expects that the redevelopment or rehabilitation will not take place for several years. Can we assign those units to a subrecipient without being certain of the date of redevelopment and still count them toward the 25% low-income set-aside?**

No. The income targeting requirement is based on actual occupancy. The units could be land banked for up to ten years. However, land banking would not satisfy the 25% set-aside. HUD will determine at grant closeout whether the 25% below 50% requirement has been met. If the houses are not occupied by that time, they will not count toward any housing goal.

*Updated 02/03/09*

**Is it true that an NSP1 grantee may use NSP1 funds to purchase residential property to be used as a homeless shelter to provide transitional or temporary housing? Is it also true that these funds used for this activity will not count towards the 25% set-aside for very low income households?**

You may acquire residential property under Eligible Use B or non-residential property (vacant land or vacant structures) under Eligible Use E. Under B, you could rehabilitate or reconstruct residential housing that is permanent housing (e.g. permanent supportive housing). In this case, if you can document that the residents are below 50% of area median income it would count toward the 25% set-aside.

Under E, redevelopment, you could construct new transitional or temporary residential facilities. Most shelters are not considered housing, since they are short-term. Similarly transitional or temporary residential programs would not be considered housing for very low-income households. You could assist with their construction as public facilities, but this would not count toward the 25% set-aside.

*Posted 11/7/08*

**The HERA law requires that 25% of a grantee's grant must be used for activities that will house individuals or families with incomes at or below 50% of the area median income. The NSP1 program also allows a grantee to use up to 10% of its grant for general administrative and planning expenses. Is the 25% low income targeting requirement applied to the entire grant amount, or only to the 90% of the grant that is not used for general administration?**

The HERA statutory language in question begins with the language “not less than 25 percent of the funds appropriated or otherwise made available under this section...” HUD believes that the 25% low income targeting provision must be

counted against the entire grant amount. For example, if a grantee received an NSP1 allocation of \$4,000,000, and uses \$400,000 for planning and general administration, it has \$3,600,000 for specific activities. The grantee must ensure that at least \$1,000,000 (25% of \$4 million) of its grant is expended for housing for individuals and families with incomes at or below 50% of the area median income. If it were to only expend 25% of the \$3.6 million (or \$900,000), it would not be in compliance.